

City of Riverview, Michigan

Financial Report with Supplemental Information June 30, 2003

City of Riverview, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Riverview, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverview, Michigan as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Riverview, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverview, Michigan as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Riverview, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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To the Honorable Mayor and
Members of the City Council
City of Riverview, Michigan

As described in Note I, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002. As discussed in Note I, the City changed its method of accounting for state-shared revenue.

Plante & Moran, PLLC

November 7, 2003

Overview of the Financial Statements

The 2003 annual financial report of the City of Riverview follows a different format than in previous years. This annual report has been changed to comply with the reporting requirements of the Government Accounting Standards Board Statement No. 34. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets - the difference between the City's assets and liabilities - are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- Government activities - Most of the City's basic services are included here, such as the police, fire, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.
- Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, golf course and golf practice facility, and land preserve are all included here.
- Component units - The City includes the Economic Development Corporation in its report.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short- and long-term financial information.
- Fiduciary funds - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Highlights

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$90,944,008 (net assets), an increase of \$2,937,047 from the previous year. Of the \$90.9 million reported in net assets, approximately \$7.9 million may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of our governmental activities decreased \$57,149, or 0.2 percent, while net assets of our business-type activities increased \$2,994,196, or 5.7 percent.
- Unrestricted net assets for governmental activities are 24.6 percent of expenses. Unrestricted net assets for business-type activities are 47.6 percent.
- The General Fund reported expenditures in excess of revenues of \$431,827, resulting in a decrease in the fund balance to \$825,338. Of this amount, \$317,493 is unreserved and undesignated, or 3.5 percent of General Fund expenditures.

The City as a Whole

The City's combined net assets are \$90.9 million at June 30, 2003. Business-type activities make up \$56.0 million and governmental activities make up \$34.9 million of the total. Future reports will provide an analysis of comparative data from the statement of activities. Comparative data is not required during the first year of reporting under GASB No. 34, and therefore, a comparative condensed statement of activities is not part of the management's discussion and analysis. In a condensed format, the table below shows a comparison of the net assets as of June 30, 2003 to the prior year.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

City of Riverview - Net Assets

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$90.9 million (net assets). However, a major portion (78 percent) of the City's net assets represents its investment in capital assets (e.g., land, roads, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these assets to provide services to its citizens; thus, these assets are not available for future spending.

Unrestricted net assets of the City decreased from \$8.8 million at June 20, 2002 to \$7.8 million at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Riverview - Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and other assets	\$ 6.1	\$ 7.2	\$ 32.4	\$ 32.1	\$ 38.5	\$ 39.3
Capital assets	31.9	31.3	61.5	61.0	93.4	92.3
Total assets	38.0	38.5	93.9	93.1	131.9	131.6
Liabilities						
Long-term liabilities	2.1	2.2	36.3	37.4	38.4	39.6
Other liabilities	1.0	1.3	1.6	2.7	2.6	4.0
Total liabilities	3.1	3.5	37.9	40.1	41.0	43.6
Net Assets						
Invested in capital assets -						
Net of related debt	30.7	30.1	40.1	38.8	70.8	68.9
Restricted	1.4	2.0	10.9	8.3	12.3	10.3
Unrestricted	2.8	2.9	5.0	5.9	7.8	8.8
Total net assets	<u>\$ 34.9</u>	<u>\$ 35.0</u>	<u>\$ 56.0</u>	<u>\$ 53.0</u>	<u>\$ 90.9</u>	<u>\$ 88.0</u>

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2003:

City of Riverview - Changes in Net Assets (in millions of dollars)

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for service	\$ 0.6	\$ 13.2	\$ 13.8
Operating grants and contributions	0.9	-	0.9
Capital grants and contributions	0.1	-	0.1
General revenues:			
Property taxes	4.9	1.1	6.0
State-shared revenues	1.7	-	1.7
Cable, franchise, and right-of-way fees	0.4	-	0.4
Investment earnings	0.2	2.0	2.2
Transfers	2.6	(2.6)	-
Other	0.1	(0.2)	(0.1)
Total revenues	11.5	13.5	25.0
Expenses			
General government	2.9	-	2.9
Public safety	4.3	-	4.3
Public works	3.0	-	3.0
Community and economic development	0.3	-	0.3
Recreation and culture	0.9	-	0.9
Interest on long-term debt	0.2	-	0.2
Water and sewer	-	4.0	4.0
Golf course	-	1.5	1.5
Golf practice	-	0.2	0.2
Land preserve	-	4.8	4.8
Total expenses	11.6	10.5	22.1
Change in Net Assets	(0.1)	3.0	2.9
Net Assets - July 1, 2002	35.0	53.0	88.0
Net Assets - June 30, 2003	<u>\$ 34.9</u>	<u>\$ 56.0</u>	<u>\$ 90.9</u>

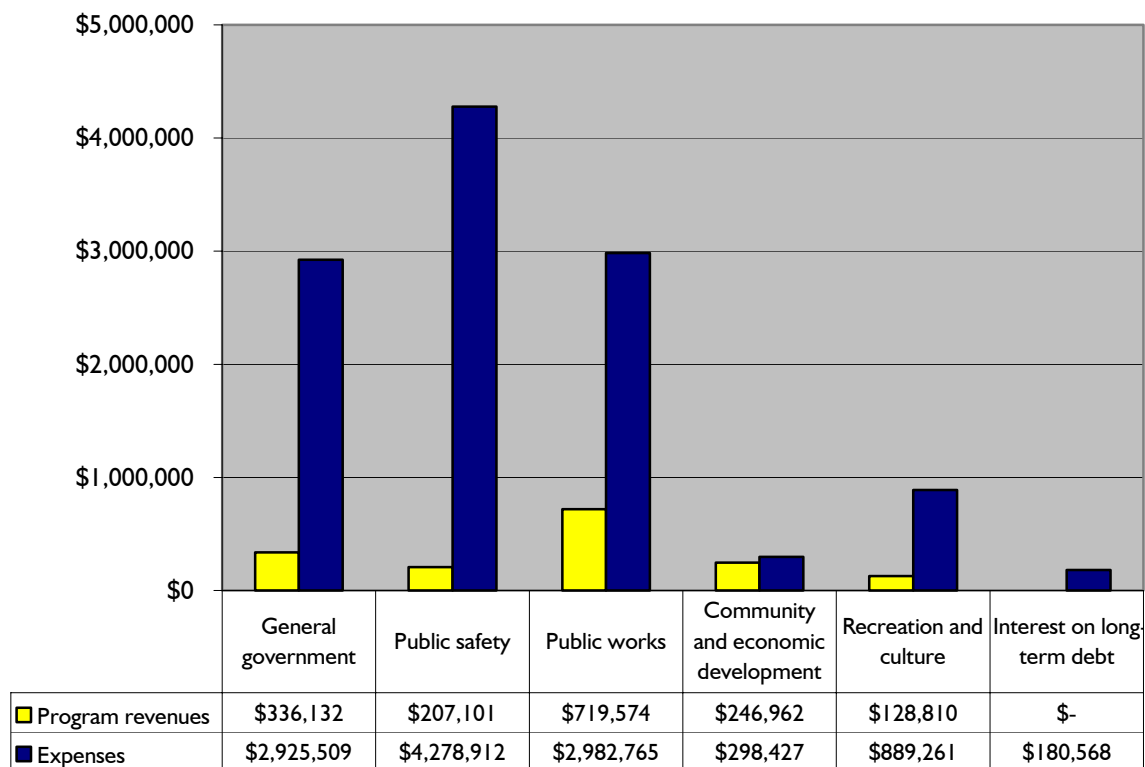
City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

For the year ended June 30, 2003, revenues for the City's governmental activities totaled \$11.5 million. Property taxes accounted for 42 percent of the total revenues, or \$4.9 million. Operating transfers from Enterprise Funds were 23 percent, or \$2.6 million. State-shared revenues were 15 percent, or \$1.7 million; these revenues continue to be a concern as to future funding levels.

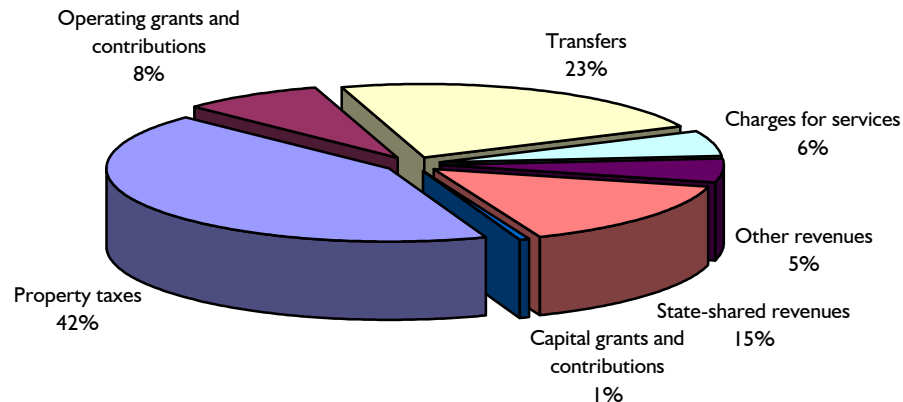
**Expenses and Program Revenues
Governmental Activities**



City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

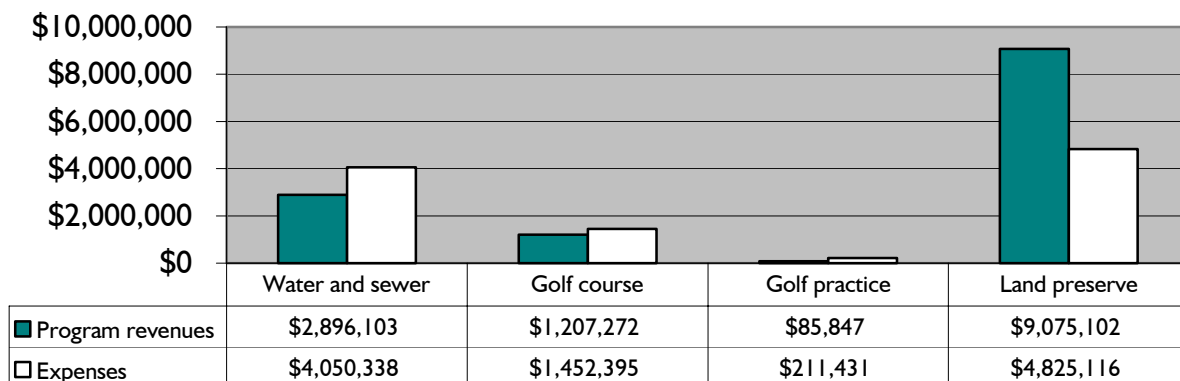
Revenue by Source Governmental Activities



Business-type Activities

For the year ended June 30, 2003, revenues for business-type activities were \$13.5 million (net of \$2.6 million of transfers). Charges for services were 81 percent of gross revenues, or \$13.3 million. Interest income on investments was 12 percent of gross revenues, or \$2.0 million. Property taxes were 7 percent of gross revenues, or \$1.2 million; these property taxes are used to make payments on debt incurred for the sewer system improvements.

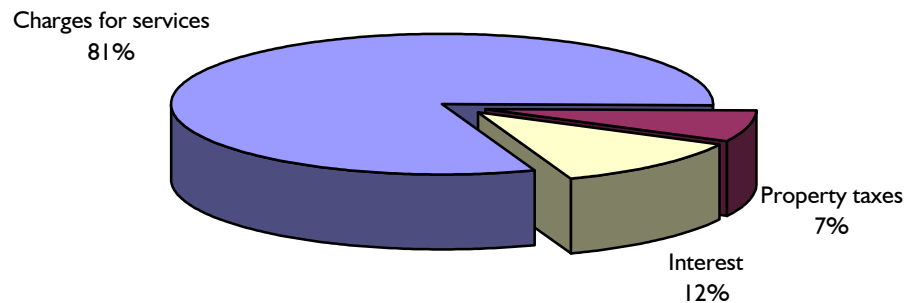
Expense and Program Revenues Business-type Activities



City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

**Revenue by Source
Business-type Activities**



The City has four business-type activities: the water and sewer system, the golf course, the golf practice facility, and the land preserve. In total, these four activities generated \$13.3 million in charges for services, and incurred \$10.5 million in expenses. In addition, general revenues for business-type activities were approximately \$269,000, net of \$2.6 million in transfers to other funds. The City experienced an increase in net assets of approximately \$3.0 million from its business-type activities.

Capital Assets and Debt Administration

At the end of fiscal year 2003, the City has \$130.0 million invested, before depreciation, in a wide range of capital assets, including land, building, public safety equipment, computer equipment, and water and sewer lines. In addition, for the first time, the City is reporting infrastructure assets, which include roads, bridges, sidewalks, storm drains, and other assets in which the City has invested since its inception. The value of the infrastructure assets, net of depreciation, contained in this report is \$16.2 million at June 30, 2003.

Debt of \$1.2 million related to the construction of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets. During the year, the City issued bonds that were used to advance refund the 1994 Library Building Authority Bonds. By doing this, the City reduced interest payments over the next 12 years by approximately \$92,000, or a present value savings of approximately \$75,000.

Debt related to the water and sewer system totaling \$22.6 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents improvements at the Wyandotte Wastewater Treatment Plant that were mandated by a federal consent decree.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

The City's Funds

The fund financial statements begin on page 12 and provide detailed information on the most significant governmental funds - not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2003 include the General Fund and the Major and Local Street Funds.

The City's governmental funds reported combined fund balance of \$4.7 million for this year, a decrease of approximately \$814,000 from last year. Included in this decrease is the General Fund's shortfall of revenues under expenditures of approximately \$431,000. This deficit would have been approximately \$1.0 million if not for the one-time revenues noted below (i.e., the change in revenue recognition and the sale of the right-of-way).

In addition, the Major Streets Fund incurred a shortfall of approximately \$525,000. This was primarily due to street sectioning projects that were planned for fiscal year 2003-2004 being moved ahead into the current fiscal year. Fund balance was used to pay for these projects; appropriations from the subsequent budget will be used to replenish fund balance.

General Fund Budgetary Highlights

Revenues for the General Fund decreased from the original budget to the final budget due to the cuts in State-shared revenues. Actual revenues were only \$70,270 below the final budget amounts; however, included in the actual revenues were one-time occurrences for a change in revenue recognition (approximately \$290,000 of State-shared revenue was recognized due to the City changing from a 30-day to a 60-day recognition period) and for a right-of-way sale (the City received approximately \$200,000 for this sale). Excluding these one-time occurrences, the City's actual revenues were approximately \$560,000 below the final budget figures.

Expenditures increased from the original budget to the final budget, based on increases for certain expenditures which arose during the year. Actual expenses were approximately \$330,000 below the final budget, resulting from tighter controls over spending due to lower revenue projections. Included in the General Fund expenditures was a contribution to the pension system of approximately \$317,000 for its general members and police members; only \$32,000 was included in the final budget.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Current Economic Conditions

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years. The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the City's control - taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation (e.g., health care). We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while still providing the City's residents with the same level of service to which they have become accustomed.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at the City of Riverview, 14100 Civic Park Drive, Riverview, MI 48192.

City of Riverview, Michigan

Statement of Net Assets June 30, 2003

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 5,154,047	\$ 4,999,023	\$ 10,153,070	\$ 11,867
Receivables - Net:				
Taxes	229,699	-	229,699	-
Customers	-	3,076,445	3,076,445	-
Due from other governmental units	606,718	-	606,718	-
Other	147,788	54,519	202,307	-
Inventories	7,886	14,754	22,640	-
Restricted assets (Note 5)	-	24,116,409	24,116,409	-
Capital assets (Note 6):				
Non-depreciable capital assets	11,291,844	3,464,278	14,756,122	-
Depreciable capital assets - Net	20,582,112	58,141,652	78,723,764	-
Total assets	38,020,094	93,867,080	131,887,174	11,867
Liabilities				
Accounts payable	748,531	1,498,213	2,246,744	-
Accrued and other liabilities	257,318	70,977	328,295	-
Noncurrent liabilities:				
Due within one year (Note 7)	85,000	1,307,537	1,392,537	-
Due in more than one year (Note 7)	2,006,151	21,469,439	23,475,590	-
Land preserve closure liability (Note 5)	-	13,500,000	13,500,000	-
Total liabilities	3,097,000	37,846,166	40,943,166	-
Net Assets				
Invested in capital assets - Net of related debt	30,648,956	40,095,704	70,744,660	-
Restricted:				
Streets	1,394,446	-	1,394,446	-
CDBG	36,151	-	36,151	-
Water and sewer	-	1,344,236	1,344,236	-
Land preserve closure and post- closure costs	-	9,562,104	9,562,104	-
Unrestricted	2,843,541	5,018,870	7,862,411	11,867
Total net assets	<u>\$ 34,923,094</u>	<u>\$ 56,020,914</u>	<u>\$ 90,944,008</u>	<u>\$ 11,867</u>

City of Riverview, Michigan

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,925,509	\$ 270,132	\$ -	\$ 66,000
Public safety	4,278,912	179,504	27,597	-
Public works	2,982,765	45,926	673,648	-
Community and economic development	298,427	27,562	219,400	-
Recreation and culture	889,261	112,988	15,822	-
Interest on long-term debt	180,568	-	-	-
Total governmental activities	11,555,442	636,112	936,467	66,000
Business-type activities:				
Water and sewer	4,050,338	2,896,103	-	-
Golf course	1,452,395	1,207,272	-	-
Golf practice	211,431	85,847	-	-
Land preserve	4,825,116	9,075,102	-	-
Total business-type activities	10,539,280	13,264,324	-	-
Total primary government	<u>\$ 22,094,722</u>	<u>\$ 13,900,436</u>	<u>\$ 936,467</u>	<u>\$ 66,000</u>
Component unit - Economic Development Corporation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State sources				
Cable, franchise, and right-of-way fees				
Interest				
Gain (loss) on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities Year Ended June 30, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit -
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
\$ (2,589,377)	\$ -	\$ (2,589,377)	\$ -
(4,071,811)	-	(4,071,811)	-
(2,263,191)	-	(2,263,191)	-
(51,465)	-	(51,465)	-
(760,451)	-	(760,451)	-
(180,568)	-	(180,568)	-
(9,916,863)	-	(9,916,863)	-
-	(1,154,235)	(1,154,235)	-
-	(245,123)	(245,123)	-
-	(125,584)	(125,584)	-
-	4,249,986	4,249,986	-
-	2,725,044	2,725,044	-
(9,916,863)	2,725,044	(7,191,819)	-
-	-	-	-
4,909,683	1,157,873	6,067,556	-
1,732,994	-	1,732,994	-
412,159	-	412,159	-
156,370	1,959,813	2,116,183	429
15,776	(215,802)	(200,026)	-
2,632,732	(2,632,732)	-	-
9,859,714	269,152	10,128,866	429
(57,149)	2,994,196	2,937,047	429
34,980,243	53,026,718	88,006,961	11,438
\$ 34,923,094	\$ 56,020,914	\$ 90,944,008	\$ 11,867

City of Riverview, Michigan

Governmental Funds Balance Sheet June 30, 2003

	Major Special Revenue Funds			Other Non-major Governmental Funds	Total Governmental Funds
	General Fund	Major Streets	Local Streets		
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 400,089	\$ 1,228,396	\$ 400,261	\$ 2,595,161	\$ 4,623,907
Receivables:					
Taxes	196,783	-	12,383	20,533	229,699
State of Michigan	487,990	78,768	33,531	-	600,289
Other	147,788	-	-	-	147,788
Due from other governmental units	-	-	-	6,429	6,429
Due from other funds (Note 4)	208,490	-	-	50,644	259,134
Inventories	7,886	-	-	-	7,886
Total assets	<u>\$ 1,449,026</u>	<u>\$ 1,307,164</u>	<u>\$ 446,175</u>	<u>\$ 2,672,767</u>	<u>\$ 5,875,132</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 443,202	\$ 31,088	\$ 119,315	\$ 154,880	\$ 748,485
Due to other funds	50,644	208,490	-	-	259,134
Accrued and other liabilities	129,842	-	-	23,619	153,461
Deferred revenue	-	-	-	20,526	20,526
Total liabilities	623,688	239,578	119,315	199,025	1,181,606
Fund Balances					
Reserved for inventory	7,886	-	-	-	7,886
Reserved for encumbrances	-	26,280	-	-	26,280
Unreserved:					
Designated for subsequent year's budget	301,693	-	-	-	301,693
Designated for pending tax tribunals	198,266	-	63,464	-	261,730
Undesignated	317,493	1,041,306	263,396	-	1,622,195
Unreserved, reported in:					
Special Revenue Funds	-	-	-	972,013	972,013
Debt Service Funds	-	-	-	158,384	158,384
Capital Projects Funds	-	-	-	1,343,345	1,343,345
Total fund balances	825,338	1,067,586	326,860	2,473,742	4,693,526
Total liabilities and fund balances	<u>\$ 1,449,026</u>	<u>\$ 1,307,164</u>	<u>\$ 446,175</u>	<u>\$ 2,672,767</u>	<u>\$ 5,875,132</u>

City of Riverview, Michigan

Governmental Funds **Reconciliation of Fund Balances of Governmental Funds to Net Assets of** **Governmental Activities** **June 30, 2003**

Total Fund Balances for Governmental Funds	\$ 4,693,526
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	31,873,956
Certain receivables are expected to be collected over several years in the Community Development Block Grant Fund and are not available to pay for current year expenditures	20,526
Compensated absences are not due and payable in the current period and are not reported in the funds	(866,151)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,225,000)
Accrued interest is not recorded in the funds	(6,914)
The Internal Service Fund (self-insurance) is included as part of governmental activities	<u>433,151</u>
Net Assets of Governmental Activities	<u>\$ 34,923,094</u>

City of Riverview, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2003

	<u>Major Special Revenue Funds</u>			Other Non-major Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>		
Revenue					
Property taxes	\$ 4,244,173	\$ -	\$ 249,805	\$ 415,705	\$ 4,909,683
Federal sources	12,597	17,661	-	214,988	245,246
State sources	1,732,994	456,055	200,135	11,102	2,400,286
Charges to other funds	522,069	-	-	-	522,069
Interest	53,383	40,196	7,781	46,751	148,111
Other	864,974	-	-	383,760	1,248,734
Total revenue	7,430,190	513,912	457,721	1,072,306	9,474,129
Expenditures					
General government	1,893,076	-	-	95,136	1,988,212
Public safety	4,036,523	-	-	-	4,036,523
Public works	1,873,189	1,169,174	868,533	1,037,983	4,948,879
Community and economic development	123,093	-	-	157,537	280,630
Recreation and culture	508,562	-	-	312,779	821,341
Employee benefits and other	715,227	-	-	-	715,227
Debt service:					
Principal	-	-	-	60,000	60,000
Interest and other charges	-	-	-	111,278	111,278
Total expenditures	9,149,670	1,169,174	868,533	1,774,713	12,962,090
Excess of Expenditures Over Revenue	(1,719,480)	(655,262)	(410,812)	(702,407)	(3,487,961)
Other Financing Sources (Uses)					
Proceeds from the issuance of long-term debt	-	-	-	1,160,000	1,160,000
Payment to refunded bond escrow agent	-	-	-	(1,119,422)	(1,119,422)
Operating transfers in	1,287,653	239,824	447,594	1,145,366	3,120,437
Operating transfers out	-	(109,618)	-	(378,087)	(487,705)
Total other financing sources (uses)	1,287,653	130,206	447,594	807,857	2,673,310
Net Change in Fund Balances	(431,827)	(525,056)	36,782	105,450	(814,651)
Fund Balances - Beginning of year	1,257,165	1,592,642	290,078	2,368,292	5,508,177
Fund Balances - End of year	<u>\$ 825,338</u>	<u>\$ 1,067,586</u>	<u>\$ 326,860</u>	<u>\$ 2,473,742</u>	<u>\$ 4,693,526</u>

City of Riverview, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (814,651)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 577,236

Certain revenue reported in the statement of activities in previous years did not provide current financial resources in the governmental funds until the current year (6,690)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 60,000

Interest expense is recorded when incurred in the statement of activities 5,132

Bond proceeds and payment to bond escrow agent are not reported as financing sources (uses) on the statement of activities (115,000)

Decrease in accumulated employee sick and vacation pay is recorded when paid in the governmental funds 136,756

The Internal Service Fund (self-insurance) is also included as governmental activities in the statement of activities 100,068

Change in Net Assets of Governmental Activities \$ (57,149)

City of Riverview, Michigan

	Major Enterprise Funds		
	Water and Sewer	Golf Course	Land Preserve
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 3,416,255	\$ 5,105	\$ 1,315,193
Accounts receivable:			
Customers	574,781	-	2,501,664
Other	54,519	-	-
Due from other funds (Note 4)	-	-	3,375,706
Inventories	-	14,754	-
Restricted assets (Note 5)	1,054,305	-	23,062,104
Total current assets	5,099,860	19,859	30,254,667
Noncurrent assets:			
Capital assets - Net (Note 6):			
Non-depreciable capital assets	-	-	2,772,377
Depreciable capital assets	32,542,679	1,958,891	21,153,705
Advance to golf practice	-	-	967,364
Total noncurrent assets	32,542,679	1,958,891	24,893,446
Total assets	37,642,539	1,978,750	55,148,113
Liabilities			
Current liabilities:			
Accounts payable	272,729	36,220	1,165,265
Due to other funds (Note 4)	2,985,706	466,212	-
Accrued and other liabilities	6,475	19,017	42,532
Current liabilities payable from restricted assets (Note 5)	685,921	-	-
Current portion of bonds payable (Note 7)	621,616	-	-
Total current liabilities	4,572,447	521,449	1,207,797
Noncurrent liabilities:			
Bonds payable - Net of current portion (Note 7)	21,256,994	-	-
Accumulated employee benefits (Note 7)	107,875	73,109	31,461
Land preserve closure liability (Note 5)	-	-	13,500,000
Advance from land preserve	-	-	-
Total noncurrent liabilities	21,364,869	73,109	13,531,461
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	11,032,453	1,958,891	23,926,082
Restricted for land preserve closure and postclosure costs (Note 5)	-	-	9,562,104
Unrestricted	672,770	(574,699)	6,920,669
Total net assets (deficit)	\$ 11,705,223	\$ 1,384,192	\$ 40,408,855

Proprietary Funds
Statement of Net Assets (Deficit)
June 30, 2003

Nonmajor Enterprise Fund		Governmental Activities
Golf Practice	Total Enterprise Funds	Internal Service Fund
\$ 262,470	\$ 4,999,023	\$ 530,140
-	3,076,445	-
-	54,519	-
76,212	3,451,918	-
-	14,754	-
-	24,116,409	-
338,682	35,713,068	530,140
691,901	3,464,278	-
2,486,377	58,141,652	-
-	967,364	-
3,178,278	62,573,294	-
3,516,960	98,286,362	530,140
23,999	1,498,213	46
-	3,451,918	-
2,953	70,977	96,943
-	685,921	-
-	621,616	-
26,952	6,328,645	96,989
-	21,256,994	-
-	212,445	-
-	13,500,000	-
967,364	967,364	-
967,364	35,936,803	-
3,178,278	40,095,704	-
-	9,562,104	-
(655,634)	6,363,106	433,151
\$ 2,522,644	\$ 56,020,914	\$ 433,151

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Operating Revenue				
Customer billings	\$ 2,889,507	\$ -	\$ -	\$ -
Greens fees	-	738,108	-	10,548
Charges for services	-	-	-	-
Equipment rentals	-	377,623	-	68,754
Rubbish collections	-	-	8,808,350	-
Miscellaneous revenue	6,596	91,541	266,752	6,545
Total operating revenue	2,896,103	1,207,272	9,075,102	85,847
Operating Expenses				
Personal services	481,833	726,299	1,431,053	94,825
Supplies	14,554	98,767	32,396	22,397
Water and sewer charges	1,323,587	-	-	-
Operation and maintenance	69,632	38,594	848,678	5,380
Depreciation	1,352,774	138,112	276,470	71,485
Other services and charges	281,447	450,623	2,236,519	17,344
Total operating expenses	3,523,827	1,452,395	4,825,116	211,431
Operating Income (Loss)	(627,724)	(245,123)	4,249,986	(125,584)
Nonoperating Revenue (Expenses)				
Interest income	90,453	2,447	1,857,671	9,242
Interest expense and bond issuance fees	(526,511)	-	-	-
Loss on sale of capital assets	-	-	(215,802)	-
Property taxes - Downriver Sewage Disposal System	1,157,873	-	-	-
Total nonoperating income	721,815	2,447	1,641,869	9,242
Income (Loss) - Before transfers	94,091	(242,676)	5,891,855	(116,342)
Transfers In	285,023	-	-	81,000
Transfers Out	(36,000)	(151,000)	(2,811,755)	-
Change in Net Assets	343,114	(393,676)	3,080,100	(35,342)
Net Assets - Beginning of year	11,362,109	1,777,868	37,328,755	2,557,986
Net Assets - End of year	<u>\$ 11,705,223</u>	<u>\$ 1,384,192</u>	<u>\$ 40,408,855</u>	<u>\$ 2,522,644</u>

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended June 30, 2003

Total Enterprise Funds		Governmental Activities	
		Internal Service Fund	
\$ 2,889,507	\$ -		
748,656	-		
-	336,070		
446,377	-		
8,808,350	-		
371,434	197,800		
13,264,324	533,870		
2,734,010	-		
168,114	-		
1,323,587	-		
962,284	-		
1,838,841	-		
2,985,933	442,148		
10,012,769	442,148		
3,251,555	91,722		
1,959,813	8,346		
(526,511)	-		
(215,802)	-		
1,157,873	-		
2,375,373	8,346		
5,626,928	100,068		
366,023	-		
(2,998,755)	-		
2,994,196	100,068		
53,026,718	333,083		
\$ 56,020,914	\$ 433,151		

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,863,183	\$ 1,207,272	\$ 9,294,580	\$ 85,847
Payments to suppliers	(1,737,537)	(721,592)	(1,427,835)	(94,556)
Payments to employees	(487,229)	(504,848)	(3,511,993)	(79,122)
Other receipts	-	220,877	190,871	169,123
Net cash provided by operating activities	638,417	201,709	4,545,623	81,292
Cash Flows from Noncapital Financing Activities -				
Net transfers in (out) to other funds	249,023	(151,000)	(2,811,755)	81,000
Cash Flows from Capital and Related Financing Activities				
Collection of property taxes	1,157,873	-	-	-
Principal paid on long-term debt	(1,259,428)	-	-	-
Transfer to the county for future debt service	(98,709)	-	-	-
Interest paid on long-term debt	(204,457)	-	-	-
Payment of additional plant capacity	(26,613)	-	-	-
Purchase of capital assets	(456,097)	(49,993)	(2,112,151)	(91,224)
Net cash used in capital and related financing activities	(887,431)	(49,993)	(2,112,151)	(91,224)
Cash Flows from Investing Activities				
Interest received on investments	90,453	2,447	1,857,671	9,242
Net purchases of investment securities	(227,724)	(93,610)	(1,314,302)	(80,310)
Net cash provided by (used in) investing activities	(137,271)	(91,163)	543,369	(71,068)
Net Increase (Decrease) in Cash and Cash Equivalents	(137,262)	(90,447)	165,086	-
Cash and Cash Equivalents - July 1, 2002	112,479	(243,835)	600	-
Cash and Cash Equivalents - June 30, 2003	<u>\$ (24,783)</u>	<u>\$ (334,282)</u>	<u>\$ 165,686</u>	<u>\$ -</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 3,416,255	\$ 5,105	\$ 1,315,193	\$ 262,470
Restricted assets	-	-	22,369,184	-
Total cash and cash equivalents	3,416,255	5,105	23,684,377	262,470
Less investments	(3,441,038)	(339,387)	(23,518,691)	(262,470)
Net cash and cash equivalents	<u>\$ (24,783)</u>	<u>\$ (334,282)</u>	<u>\$ 165,686</u>	<u>\$ -</u>

**Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2003**

		Governmental Activities	
		Total Enterprise Funds	Internal Service Fund
\$	13,450,882	\$	533,870
	(3,981,520)		-
	(4,583,192)		(430,796)
	<u>580,871</u>		<u>-</u>
	5,467,041		103,074
	(2,632,732)		-
	1,157,873		-
	(1,259,428)		-
	(98,709)		-
	(204,457)		-
	(26,613)		-
	<u>(2,709,465)</u>		<u>-</u>
	(3,140,799)		-
	1,959,813		8,346
	<u>(1,715,946)</u>		<u>-</u>
	243,867		8,346
	(62,623)		111,420
	<u>(130,756)</u>		<u>418,720</u>
\$	<u>(193,379)</u>	\$	<u>530,140</u>
\$	4,999,023	\$	530,140
	<u>22,369,184</u>		<u>-</u>
	27,368,207		530,140
	<u>(27,561,586)</u>		<u>-</u>
\$	<u>(193,379)</u>	\$	<u>530,140</u>

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (627,724)	\$ (245,123)	\$ 4,249,986	\$ (125,584)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,352,774	138,112	276,470	71,485
Changes in assets and liabilities:				
Receivables	(32,920)	-	219,478	-
Due from/to other funds	-	220,877	(390,000)	169,123
Inventory	-	65,396	-	-
Restricted asset receivable	-	-	80,871	-
Accounts payable	(48,317)	17,740	(394,400)	(34,001)
Accrued and other liabilities	(5,396)	4,707	3,218	269
Land preserve closure liability	-	-	500,000	-
Net cash provided by operating activities	\$ 638,417	\$ 201,709	\$ 4,545,623	\$ 81,292

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2003, the following activities occurred at the County of Wayne that are not reflected in the statement of cash flows:

Assets on Hand - July 1, 2002	\$ 1,238,142
Interest earned on investment	\$ 26,945
Judgment levy	766,765
Wayne County treatment plant adjustment	39,508
Principal paid	(668,056)
Interest paid	(348,999)
	(183,837)
Assets on Hand - June 30, 2003	\$ 1,054,305

Proprietary Funds
Statement of Cash Flows (Continued)
Year Ended June 30, 2003

Total Enterprise Funds	Governmental Activities	
	Internal Service Fund	
\$ 3,251,555	\$ 91,722	
1,838,841	-	
186,558	-	
-	-	
65,396	-	
80,871	-	
(458,978)	-	
2,798	11,352	
500,000	-	
\$ 5,467,041	\$ 103,074	

City of Riverview, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2003

	Pension Trust Fund - Employees' Retirement System	Private Purpose Trust Fund - Community Trust	Agency Funds
Assets			
Cash and cash equivalents	\$ 634,012	\$ 10,606	\$ 97,980
Investments:			
Corporate bonds and notes	667,311	-	-
U.S. government securities	5,854,123	-	-
Common and preferred stock	9,975,294	-	-
Other receivables	564,943	-	242,342
Total assets	17,695,683	10,606	340,322
Liabilities			
Escrow	-	-	95,531
Due to other governmental units	-	-	244,791
Other	10,449	4,037	-
Total liabilities	10,449	4,037	340,322
Net Assets			
Reserved:			
Employee contributions	3,641,108	-	-
Retired benefit payments	8,753,968	-	-
Employer contributions	3,647,382	-	-
Undistributed income	1,642,776	-	-
Unreserved	-	6,569	-
Total net assets	<u>\$ 17,685,234</u>	<u>\$ 6,569</u>	<u>\$ -</u>

City of Riverview, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Private Purpose Trust Funds Year Ended June 30, 2003

	Pension Trust Fund - Employees' Retirement System	Private Purpose Trust Fund - Community Trust
Additions		
Investment income:		
Interest and dividends	\$ 539,206	\$ 36
Net depreciation in fair value of investments	(70,912)	-
Less investment expenses	(99,975)	-
Net investment income	368,319	36
Contributions:		
Employer	433,341	-
Employee	256,181	-
Total contributions	689,522	-
Total additions	1,057,841	36
Deductions		
Benefit payments	1,005,002	-
Refunds of contributions	93,084	-
Health expenses	108,328	-
Total deductions	1,206,414	-
Net Increase (Decrease)	(148,573)	36
Net Assets Held in Trust for Pension Benefits and Private Purpose Trust Fund		
Beginning of year	17,833,807	6,533
End of year	<u>\$ 17,685,234</u>	<u>\$ 6,569</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Riverview, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Riverview, Michigan:

Reporting Entity

The City of Riverview, Michigan is governed by a mayor and six-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Although the blended component unit is a legal separate entity, in substance, it is part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit - The City's Building Authority is a City-created and directed authority whose sole business activity is acquiring and leasing property to the City. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings, and its operations consist of the issuance and repayment of debt and the related construction. The operations of the Building Authority are reported as a nonmajor Debt Service Fund.

Discretely Presented Component Unit - The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, consisting of nine individuals, is appointed by the City Council. Complete financial statements for the EDC can be obtained from the administrative office at 14100 Civic Park Drive, Riverview, MI 48192.

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Note 1 - Summary of Significant Accounting Policies (Continued)

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the City. Funding is provided primarily through State-shared gas and weight taxes and a local property tax levy.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and the sewage and storm water collection systems. Funding is provided primarily through user charges and a local property tax levy.

Golf Course Fund - The Golf Course Fund accounts for the activity of the golf course. Funding is provided primarily through user charges.

Land Preserve Fund - The Land Preserve Fund accounts for the activities of the landfill operation. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to fund general liability claims and purchase insurance that provides excess general liability coverage for City employees and property. The fund is financed primarily by charges to the various departments of the City.

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the employee benefit plan that accumulates resources for pension and other post-employment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Private Purpose Trust Fund - The Private Purpose Trust Fund accounts for the activity of resources donated for the Veteran’s Memorial.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on August 31, and become a lien on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

The 2002 taxable valuation of the City totaled \$330 million, on which ad valorem taxes levied consisted of 14.46 mills for the City's operating purposes and 3.5 mills for sewage disposal debt. The ad valorem taxes levied raised \$4.77 million for operations and \$1.16 million for sewage disposal debt.

The delinquent real property taxes of the City are purchased by Wayne County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Wayne County remitted its purchased delinquent real property taxes in August 2003. Wayne County's delinquent real property taxes have been recorded as revenue in the current year.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care costs of the land preserve. These amounts have been classified as restricted assets.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	10 to 30 years
Buildings and improvements	20 to 30 years
Land improvements	5 to 40 years
Vehicles	1 to 10 years
Furniture, fixtures, and equipment	5 to 30 years
Water and sewer distribution systems	20 to 40 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation benefits. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 - Effective July 1, 2002, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.

Note 1 - Summary of Significant Accounting Policies (Continued)

- Capital assets in the governmental activities column of the statement of net assets include infrastructure assets (roads, bridges, etc.) not previously accounted for by the City as well as assets totaling \$29,126,391 previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations totaling \$2,172,907 previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Revenue Recognition - The City changed its method of accounting for State-shared revenue. Beginning in 2003, State-shared revenue collected within 60 days of the end of the current fiscal period is recognized as revenue in the current period. Previously, the City accrued State-shared revenue collected within 30 days of the end of the current fiscal period.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the city manager and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception of operating transfers, which have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

The budget statements (budgetary combined schedules for the General and Major Special Revenue Funds) are presented on the same basis of accounting used in preparing the adopted budget.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular meeting in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. As provided for by the City Charter, not later than the second Monday in June, the budget is legally adopted through the passage of budget resolutions for each fund.
4. The city manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditure of any department, and transfers between funds or department, or from contingency must be approved by the City Council.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as adopted by the City Council is included in the required supplemental information. This comparison includes expenditure overruns. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the City Council is available at the city hall for inspection.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Riverview incurred expenditures that were in excess of the amounts budgeted, as follows:

General Fund	Final Budget	Actual	Variance
General Government - City manager	\$ 272,240	\$ 309,822	\$ (37,582)
Public safety - Police	2,705,179	2,798,824	(93,645)
Employee benefit and other - Employee benefits	384,556	495,364	(110,808)
Employee benefit and other - Information technology	-	1,396	(1,396)

Note 2 - Stewardship, Compliance, and Accountability (Continued)

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2002		\$ (268,767)
Current year building permit revenue		81,873
Related expenses:		
Direct costs	\$ 239,238	
Estimated indirect costs	23,924	
		<u>263,162</u>
Cumulative shortfall at June 30, 2003		<u>\$ (450,056)</u>

Note 3 - Deposits and Investments

The City's deposits and investments at June 30, 2003 are included in the balance sheet under the following classifications:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Unit
Cash and investments	\$ 5,154,047	\$ 4,999,023	\$ 10,153,070	\$ 17,239,326	\$ 11,867
Restricted assets (Note 5)	-	22,369,184	22,369,184	-	-
Total	<u>\$ 5,154,047</u>	<u>\$ 27,368,207</u>	<u>\$ 32,522,254</u>	<u>\$ 17,239,326</u>	<u>\$ 11,867</u>

Note 3 - Deposits and Investments (Continued)

Deposits

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Fiduciary Funds	Component Unit
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 8,184,654	\$ 742,598	\$ 11,867
Investments in securities, mutual funds, and similar vehicles	24,333,850	16,496,728	-
Petty cash and cash on hand	<u>3,750</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 32,522,254</u>	<u>\$ 17,239,326</u>	<u>\$ 11,867</u>

The above deposits of the primary government, fiduciary funds, and component unit were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$9,243,407. Of that amount, approximately \$362,000 was covered by the federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

Investments

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

Note 3 - Deposits and Investments (Continued)

The Employees' Retirement System is also authorized by State of Michigan's Pension Investment Act to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2003. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent in the City's name

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
U.S. government securities	\$ 23,937,236	\$ -	\$ -	\$ 23,937,236
Corporate bonds	396,614	-	-	396,614
Total primary government	<u>\$ 24,333,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,333,850</u>
Fiduciary funds:				
Corporate bonds	\$ -	\$ 667,311	\$ -	\$ 667,311
U.S. government securities	-	5,854,123	-	5,854,123
Common and preferred stock	-	9,975,294	-	9,975,294
Total fiduciary funds	<u>\$ -</u>	<u>\$ 16,496,728</u>	<u>\$ -</u>	<u>\$ 16,496,728</u>

Note 3 - Deposits and Investments (Continued)

Included in the City's investments at June 30, 2003 are the following:

- U.S. Treasury strips of approximately \$2,695,000. The strip represents the purchase of the principal portion of a United States Treasury note. Similar to a zero coupon bond, it is purchased at a discount (which represents the future interest earnings of the instrument). The discount is amortized over the remaining maturity of the instrument. There is no prepayment risk associated with this instrument, as the U.S. government is not allowed to call it early. Purchase of this strip allows the City to lock in favorable interest rates for the term of this security.
- Approximately \$778,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$1,413,000 of securities issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by the mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Streets Fund	\$ 208,490
Community Development Block Grant Fund	General Fund	50,644
Enterprise Funds:		
Golf Practice Fund	Golf Course Fund	76,212
Land Preserve Fund	Water and Sewer Fund	(1) 2,985,706
	Golf Course Fund	390,000
	Total Enterprise Funds	3,451,918
	Total	<u>\$ 3,711,052</u>

(1) Loan of discretionary funds to be used for the benefit of the community

Interfund transfers reported in the fund statements were as follows:

Fund Transferred From	Fund Transferred To	Amount
Major Streets Fund	Local Streets Fund	\$ 109,618
Nonmajor governmental funds	General Fund	72,612
	Local Streets Fund	150,000
	Nonmajor governmental funds	130,475
	Water and Sewer Fund	25,000
	Total nonmajor governmental funds	378,087
Golf Course Fund	Local Streets Fund	70,000
	Golf Practice Fund	81,000
	Total Golf Course Fund	151,000
Water and Sewer Fund	Local Streets Fund	36,000
Land Preserve Fund	General Fund	(2) 1,215,041
	Major Streets Fund	239,824
	Local Streets Fund	81,976
	Nonmajor governmental funds	(2) 1,014,891
	Water and Sewer Fund	260,023
	Total Land Preserve Fund	2,811,755
	Total	<u>\$ 3,486,460</u>

(2) Transfer of discretionary funds to be used for the benefit of the community

Note 5 - Restricted Assets

Restricted assets at June 30, 2003 consist of the following:

	Business-type Activities
Cash and investments	\$ 22,369,184
Accounts receivable - Restricted portion of April, May, and June 2003 receipts physically transferred in August 2003	<u>692,920</u>
Total land preserve restricted assets	23,062,104
Deposits held by Wayne County - Water and Sewer Fund	<u>1,054,305</u>
Total restricted assets	<u>\$ 24,116,409</u>

Landfill - Closure and Postclosure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and postclosure care costs as an operating expense in each period based on the acres of the entire permitted site used as of each balance sheet date. The \$13,500,000 reported as landfill closure and postclosure liability at June 30, 2003 represents the cumulative amount reported to date based on the closure and postclosure costs related to the acres of the permitted site that have been used. The City will recognize the remaining estimate of closure and postclosure care costs of approximately \$3,500,000 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. The City expects to close the landfill in the year 2018. On a volume basis versus site acreage basis, approximately 64 percent of landfill capacity is used as of June 30, 2003. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Note 5 - Restricted Assets (Continued)

The City is required by State and federal laws and regulations to make contributions to a trust to finance closure and postclosure care (see Note 8). The City is in compliance with these requirements and, at June 30, 2003, investments of \$22,369,184 and accounts receivable of \$692,920 are held for these purposes. These are reported as restricted assets on the balance sheet. Net assets have been restricted for \$9,562,104, which is the total restricted assets of \$23,062,104 less the closure and postclosure liability of \$13,500,000. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Water and Sewer

As described in Note 8, the City also has assets of \$1,054,305 held at Wayne County that are restricted for debt payments related to the Downriver Sewage Disposal System project. The restricted assets balance results from the debt service tax levy in excess of debt expenses for the Downriver Sewage Disposal System project. Of this amount, \$685,976 of debt is currently payable from restricted assets and the remainder of the assets is for long-term debt obligations.

Note 6 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2002	Additions	Disposals and Adjustments	Balance June 30, 2003
Governmental activities:				
Capital assets not being depreciated - Land	\$ 11,225,844	\$ 66,000	\$ -	\$ 11,291,844
Capital assets being depreciated:				
Infrastructure	29,181,899	1,913,607	-	31,095,506
Buildings and improvements	9,805,193	1,200	-	9,806,393
Equipment and vehicles	4,441,560	507,244	-	4,948,804
Subtotal	43,428,652	2,422,051	-	45,850,703
Accumulated depreciation:				
Infrastructure	13,733,856	1,154,538	-	14,888,394
Buildings and improvements	6,247,508	335,408	-	6,582,916
Equipment and vehicles	3,376,412	420,869	-	3,797,281
Subtotal	23,357,776	1,910,815	-	25,268,591
Net capital assets being depreciated	20,070,876	511,236	-	20,582,112
Net governmental capital assets	\$ 31,296,720	\$ 577,236	\$ -	\$ 31,873,956

Note 6 - Capital Assets (Continued)

	Balance July 1, 2002	Additions	Disposals and Adjustments	Balance June 30, 2003
Business-type activities:				
Water and sewer capital assets:				
Capital assets being depreciated:				
Buildings and improvements	\$ 91,648	\$ -	\$ -	\$ 91,648
Vehicles	302,730	45,600	-	348,330
Furniture, fixtures, and equipment	845,766	30,540	-	876,306
Water and sewer distribution systems	<u>38,668,561</u>	<u>379,958</u>	<u>(39,508)</u>	<u>39,009,011</u>
Subtotal	39,908,705	456,098	(39,508)	40,325,295
Accumulated depreciation:				
Buildings and improvements	-	4,246	-	4,246
Vehicles	-	31,552	-	31,552
Furniture, fixtures, and equipment	-	55,186	-	55,186
Water and sewer distribution systems	<u>6,429,842</u>	<u>1,261,790</u>	<u>-</u>	<u>7,691,632</u>
Subtotal	<u>6,429,842</u>	<u>1,352,774</u>	<u>-</u>	<u>7,782,616</u>
Net water and sewer capital assets	<u>33,478,863</u>	<u>(896,676)</u>	<u>(39,508)</u>	<u>32,542,679</u>
Golf course capital assets:				
Capital assets being depreciated:				
Buildings and improvements	1,098,938	-	-	1,098,938
Land improvements	1,514,493	21,075	-	1,535,568
Furniture, fixtures, and equipment	<u>700,021</u>	<u>28,917</u>	<u>-</u>	<u>728,938</u>
Subtotal	3,313,452	49,992	-	3,363,444
Accumulated depreciation:				
Buildings and improvements	724,192	47,630	-	771,822
Land improvements	41,180	43,836	-	85,016
Furniture, fixtures, and equipment	<u>501,070</u>	<u>46,645</u>	<u>-</u>	<u>547,715</u>
Subtotal	<u>1,266,442</u>	<u>138,111</u>	<u>-</u>	<u>1,404,553</u>
Net golf course capital assets	<u>2,047,010</u>	<u>(88,119)</u>	<u>-</u>	<u>1,958,891</u>
Land preserve capital assets:				
Capital assets not being depreciated -				
Land	2,772,377	-	-	2,772,377
Capital assets being depreciated:				
Buildings and improvements	1,942,288	25,929	(112,104)	1,856,113
Land improvements	16,848,139	1,749,476	-	18,597,615
Vehicles	251,740	91,746	(338,250)	5,236
Furniture, fixtures, and equipment	<u>2,275,922</u>	<u>245,000</u>	<u>(108,594)</u>	<u>2,412,328</u>
Subtotal	21,318,089	2,112,151	(558,948)	22,871,292

Note 6 - Capital Assets (Continued)

	Balance July 1, 2002	Additions	Disposals and Adjustments	Balance June 30, 2003
Business-type activities (Continued):				
Land preserve capital assets (Continued):				
Accumulated depreciation:				
Buildings and improvements	\$ 772,480	\$ 54,864	\$ (50,705)	\$ 776,639
Vehicles	330,971	109,891	(183,847)	257,015
Furniture, fixtures, and equipment	680,812	111,715	(108,594)	683,933
Subtotal	1,784,263	276,470	(343,146)	1,717,587
Net capital assets being depreciated	19,533,826	1,835,681	(215,802)	21,153,705
Net land preserve capital assets	22,306,203	1,835,681	(215,802)	23,926,082
Golf practice capital assets:				
Capital assets not being depreciated -				
Land	691,901	-	-	691,901
Capital assets being depreciated:				
Buildings and improvements	385,526	25,941	-	411,467
Land improvements	895,632	7,667	-	903,299
Furniture, fixtures, and equipment	1,297,945	65,103	(7,487)	1,355,561
Subtotal	2,579,103	98,711	(7,487)	2,670,327
Accumulated depreciation:				
Buildings and improvements	17,352	16,495	-	33,847
Land improvements	1,687	1,687	-	3,374
Furniture, fixtures, and equipment	93,426	53,303	-	146,729
Subtotal	112,465	71,485	-	183,950
Net capital assets being depreciated	2,466,638	27,226	(7,487)	2,486,377
Net golf practice capital assets	3,158,539	27,226	(7,487)	3,178,278
Net business-type activity capital assets	\$ 60,990,615	\$ 878,112	\$ (262,797)	\$ 61,605,930

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 1,400,337
Public safety	154,565
Public works	160,151
Community and economic development	362
Recreation and culture	<u>195,401</u>

Total governmental activities	<u><u>\$ 1,910,816</u></u>
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Business-type activities:

Water and sewer	\$ 1,352,774
Golf course	138,112
Land preserve	276,470
Golf practice	<u>71,485</u>

Total business-type activities	<u><u>\$ 1,838,841</u></u>
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Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, compensated absences, and certain risk liabilities.

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:						
General Obligation Bonds - 1994 Library Building						
Authority Bonds						
Amount of Issue - \$1,500,000 *	6.00% -	\$60,000 -				
Maturing through 2004	6.25%	\$130,000	\$ 1,170,000	\$ (1,105,000)	\$ 65,000	\$ 65,000
General Obligation Bonds - 2003 Library Building						
Authority Refunding Bonds						
Amount of Issue - \$1,160,000	2.00% -	\$20,000 -				
Maturing through 2014	3.80%	\$125,000	-	1,160,000	1,160,000	20,000
Compensated absences			1,002,907	(136,756)	866,151	-
Total governmental activities			2,172,907	(81,756)	2,091,151	85,000
Business-type activities:						
General obligation bonds:						
1993 General Obligation Limited Tax Bonds						
Amount of Issue - \$10,860,000		\$510,000 -				
Maturing through 2015	2.00%	\$640,000	7,519,910	(526,372)	6,993,538	525,000
1994 General Obligation Limited Tax Bonds						
Amount of Issue - \$1,700,000	5.00% -	\$65,000 -				
Maturing through 2014	7.50%	\$145,000	1,330,000	(65,000)	1,265,000	70,000
County contractual obligations:						
Downriver Sewage Disposal System Bonds						
Series A						
Amount of Issue - \$2,099,366 **		\$19,132 -				
Maturing through 2003	Various	\$20,603	39,735	(19,132)	20,603	20,603
Downriver Sewage Disposal System Bonds						
Series A Refunding Bonds						
Amount of Issue - \$328,862		\$2,785 -				
Maturing through 2013	Various	\$38,480	319,748	(2,785)	316,963	2,785
Downriver Sewage Disposal System Bonds						
Series B						
Amount of Issue - \$701,512		\$25,947 -				
Maturing through 2018	Various	\$54,934	653,124	(25,946)	627,178	27,116
State Revolving Fund Loan						
Amount of Issue - \$14,428,703	2.00% -	\$10,457 -				
Maturing through 2021	2.50%	\$831,297	13,578,603	(620,193)	12,958,410	635,417
City of Ecorse plant capacity obligation						
Amount of Issue - \$518,402	-	\$1,801 -				
Maturing through 2021		\$26,771	409,453	(26,614)	382,839	26,616
Total bonds and other contractual obligations			23,850,573	(1,286,042)	22,564,531	1,307,537
Other long-term obligations - Compensated absences			212,461	(16)	212,445	-
Total business-type activities			24,063,034	(1,286,058)	22,776,976	1,307,537
Total governmental and business-type activities			\$ 26,235,941	\$ (1,367,814)	\$ 24,868,127	\$ 1,392,537

* Bonds were partially defeased in 2003.

** Series A was partially refunded in fiscal year 1999-2000.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2003

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 85,000	\$ 37,802	\$ 122,802	\$ 1,307,537	\$ 540,316	\$ 1,847,853
2005	85,000	33,268	118,268	1,339,475	508,963	1,848,438
2006	90,000	31,518	121,518	1,373,490	476,796	1,850,286
2007	90,000	29,718	119,718	1,409,474	443,477	1,852,951
2008	95,000	27,678	122,678	1,443,415	409,009	1,852,424
2009-2013	530,000	93,476	623,476	7,790,756	1,487,293	9,278,049
2014-2018	250,000	9,438	259,438	6,024,178	548,392	6,572,570
2019-2023	-	-	-	1,876,206	67,622	1,943,828
Total	\$ 1,225,000	\$ 262,898	\$ 1,487,898	\$ 22,564,531	\$ 4,481,868	\$ 27,046,399

Advance Refunding - During the year, the City issued \$1,160,000 in general obligation bonds with an average interest rate of 3.29 percent. The proceeds of these bonds were used to advance refund \$1,045,000 of outstanding 1994 Library Building Authority Bonds with an average interest rate of 6.23 percent. The net proceeds of \$1,087,034 (after payment of \$67,137 in underwriting fees, insurance, and other issuance costs) plus an additional \$32,388 of Building Authority Debt Fund monies were used to purchase U.S. government securities. The total amount transferred to the refunded bond escrow agent was \$1,119,422. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets. The advance refunding reduced total debt service payments over the next 12 years by approximately \$92,630, which represents an economic gain of approximately \$75,289.

Note 8 - Commitments and Contingencies

State of Michigan Perpetual Care Fund

In October 1990, the City entered into an escrow agreement with the State of Michigan Department of Natural Resources to establish a perpetual care fund. This agreement requires that the City deposit into the perpetual care fund escrow account a fixed amount for every unit of solid waste disposed of in the Riverview Land Preserve. These funds, along with all earnings, interest, and profits, are to be used solely for payment of the costs of closure, monitoring, maintenance, or response activities at the facility necessary to protect public health, safety, and welfare or to protect the environment. The perpetual care fund is reported in the restricted assets of the Land Preserve Fund.

Note 8 - Commitments and Contingencies (Continued)

Lawsuits

There are several lawsuits pending against the City. The estimated liability associated with these lawsuits, if any, cannot be determined; therefore, no liability has been recorded.

Several years ago, the City was named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, are also named as defendants. Under terms of an interim federal court order, the communities will be required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$281,000,000, with the City's share estimated to be approximately \$29,000,000, exclusive of any potential fines or penalties. Through June 30, 2003, bonds totaling approximately \$16,000,000 have been issued in relation to this project.

The City issued \$1,700,000 in General Obligation Limited Tax Bonds, dated August 1, 1994, as additional financing for constructing improvements in the sewage disposal system. These bonds have an annual interest rate ranging from 5.00 percent to 7.50 percent with annual payments that began in November 1995 and will end in 2014. These bonds were refunded in July 2003. For additional information on the refunding, see Note 12.

The City entered into an agreement with Wayne County, Brownstown Township, and the City of Southgate in June 2001. This agreement was made for the purpose of paving Pennsylvania Road and for the acquisition of right-of-way on Pennsylvania Road. The City's share of the project is \$1,017,522. The Major Street Fund will pay for the costs as incurred. The construction of this project is scheduled to begin in spring 2004. Currently, no expenditures have been made for this project.

The City has paid Wayne County \$441,000 of appropriated funds for right-of-way purchases along Pennsylvania Road. As of June 30, 2002, approximately \$312,000 was spent and the remaining \$129,000 was being held by Wayne County for future right-of-way purchases or estimated future construction costs on Pennsylvania Road. The status of this project is currently being analyzed as of June 30, 2003.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool program for claims related to general and auto liability, auto physical damage, and property. The Authority operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to commercial health insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Retirement Plan

Plan Description

The City of Riverview Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Riverview; this plan covers all qualified general and police employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2002, the date of the most recent actuarial valuation, membership consisted of 65 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 100 current active employees. The plan does not issue a separate financial report.

Note 10 - Retirement Plan (Continued)

Annual Pension Costs

For the year ended June 30, 2003, the City was required to make a contribution to the pension plan of \$433,341, exclusive of \$256,181 of employee contributions, which was equal to the City's required and actual contribution. The City's contribution was made subsequent to year end. The annual required contribution was determined as part of an actuarial valuation at June 30, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5 percent per year compounded annually, (c) additional projected salary increases ranging from 0 percent to 4 percent per year, depending on age, attributable to seniority/merit, and (d) no postretirement benefit increases. Both (a) and (b) include an inflation component of 5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is five years.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates.

Note 10 - Retirement Plan (Continued)

Reserve Balances

The reserves for the retirement systems at June 30, 2003 consist of the following:

	Employees' Retirement System
Legally required reserves:	
Reserved for employee contributions	\$ 3,641,108
Reserved for retiree benefit payments	8,753,968
Additional reserves:	
Reserved for employer contributions	3,647,382
Reserved for undistributed income	1,642,776
Total	<u>\$ 17,685,234</u>

Note 11 - Other Postemployment Benefits

The City provides health care to all full-time employees upon retirement, in accordance with labor contracts. Currently, 53 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with some retired employee groups contributing a portion of the cost. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits were paid by the Pension Trust Fund and the General Fund as the insurance premiums became due; during the year, this amounted to approximately \$402,000.

Note 12 - Subsequent Event

The City issued \$1,295,000 of General Obligation Limited Tax Refunding Bonds on July 17, 2003. This debt will be used to refund \$1,195,000 of 1994 General Obligation Limited Tax Bonds, which were issued for the purpose of constructing improvements in the sewage disposal system.

Required Supplemental Information

City of Riverview, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget
Fund Balance - Beginning of year	\$ 1,257,165	\$ 1,257,165	\$ 1,257,165	\$ -
Revenues				
Property taxes	4,288,989	4,288,989	4,244,173	(44,816)
Federal sources	12,589	12,589	12,597	8
State sources	1,554,959	1,500,775	1,732,994	232,219
Charges to other funds	504,964	504,964	522,069	17,105
Interest	175,000	175,000	53,383	(121,617)
Other revenue:				
Business licenses	231,285	231,285	174,500	(56,785)
Nonbusiness licenses and permits	130,100	130,100	81,873	(48,227)
Operating transfers in	1,277,453	1,277,453	1,287,653	10,200
Court costs	196,692	196,692	160,683	(36,009)
Recreation	206,156	206,156	149,531	(56,625)
Fines and forfeits	228,000	228,000	64,029	(163,971)
Miscellaneous	36,110	36,110	234,358	198,248
Total other revenue	2,305,796	2,305,796	2,152,627	(153,169)
Total revenue	8,842,297	8,788,113	8,717,843	(70,270)
Expenditures				
General government:				
City Council	72,925	76,420	58,329	18,091
District Court	268,838	274,574	188,022	86,552
City manager	199,608	272,240	309,822	(37,582)
Assessor and purchasing agent	373,959	390,178	347,983	42,195
Attorney	199,000	320,187	312,398	7,789
Clerk	295,010	276,739	230,111	46,628
Finance	491,946	472,697	446,411	26,286
Total general government	1,901,286	2,083,035	1,893,076	189,959
Public safety:				
Police	2,670,629	2,705,179	2,798,824	(93,645)
Fire	1,067,926	1,301,323	1,237,699	63,624
Total public safety	3,738,555	4,006,502	4,036,523	(30,021)
Public works:				
Department of Public Works	977,800	974,591	947,034	27,557
Building maintenance	406,524	418,457	388,076	30,381
Engineering and building	256,034	265,113	239,238	25,875
Motor vehicle pool	326,299	360,354	298,841	61,513
Total public works	1,966,657	2,018,515	1,873,189	145,326
Community and Economic Development -				
Community development	130,336	131,579	123,093	8,486
Recreation and culture:				
Recreation	491,644	487,059	419,583	67,476
Pheasant Run pool	34,686	34,996	28,500	6,496
Parks	88,536	97,845	60,479	37,366
Total recreation and culture	614,866	619,900	508,562	111,338

City of Riverview, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued):				
Employee benefits and other:				
Employee benefits	\$ 362,531	\$ 384,556	\$ 495,364	\$ (110,808)
Information technology	-	-	1,396	(1,396)
Insurance and bonds	225,770	235,770	218,467	17,303
Total employee benefits and other	588,301	620,326	715,227	(94,901)
Total expenditures	8,940,001	9,479,857	9,149,670	330,187
Excess of Expenditures Over Revenues	(97,704)	(691,744)	(431,827)	259,917
Fund Balance - End of year	\$ 1,159,461	\$ 565,421	\$ 825,338	\$ 259,917

City of Riverview, Michigan

	Major Streets			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Fund Balance - Beginning of year	\$ 1,592,642	\$ 1,592,642	\$ 1,592,642	\$ -
Revenues				
Property taxes	-	-	-	-
Federal sources	-	-	17,661	17,661
State sources	438,470	438,470	456,055	17,585
Interest	15,000	15,000	40,196	25,196
Transfers in	236,660	240,024	239,824	(200)
Total revenues	690,130	693,494	753,736	60,242
Expenditures				
Public works	580,209	1,837,210	1,169,174	668,036
Transfers out	109,618	109,618	109,618	-
Total expenditures	689,827	1,946,828	1,278,792	668,036
Excess of Revenues Over (Under) Expenditures	303	(1,253,334)	(525,056)	728,278
Fund Balance - End of year	\$ 1,592,945	\$ 339,308	\$ 1,067,586	\$ 728,278

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended June 30, 2003

Local Streets			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 290,078	\$ 290,078	\$ 290,078	\$ -
248,209	248,209	249,805	1,596
-	-	-	-
185,525	185,525	200,135	14,610
7,000	7,000	7,781	781
450,958	447,594	447,594	-
891,692	888,328	905,315	16,987
888,977	1,099,344	868,533	230,811
-	-	-	-
888,977	1,099,344	868,533	230,811
2,715	(211,016)	36,782	247,798
\$ 292,793	\$ 79,062	\$ 326,860	\$ 247,798

City of Riverview, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2003

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
Employees' Retirement System						
06/30/97	\$ 17,576,608	\$ 16,219,489	\$ (1,357,119)	108.4	\$ 4,157,933	-
06/30/98	19,132,875	17,052,447	(2,080,428)	112.2	4,393,788	-
06/30/99	20,577,644	17,844,328	(2,733,316)	115.3	4,294,293	-
06/30/00	21,761,762	19,700,697	(2,061,065)	110.5	4,682,137	-
06/30/01	22,328,838	20,427,736	(1,901,102)	109.3	4,754,414	-
06/30/02	21,549,980	21,301,907	(248,073)	101.2	4,976,624	-

City of Riverview, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2003

The schedule of employer contributions is as follows:

Employees' Retirement System

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$ 105,685	100
1999	11,810	100
2000	-	N/A
2001	25,712	100
2002	43,016	100
2003	433,341	100

Additional information as of June 30, 2002, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period	5 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	5%-9%
Cost of living adjustments	None

*Includes inflation at 5 percent

City of Riverview, Michigan

Note to Required Supplemental Information June 30, 2003

Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Special Revenue Funds			
			Major Streets		Local Streets	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 7,430,190	\$ 9,149,670	\$ 513,912	\$ 1,169,174	\$ 457,721	\$ 868,533
Operating transfers budgeted as revenue and expenditures	<u>1,287,653</u>	<u>-</u>	<u>239,824</u>	<u>109,618</u>	<u>447,594</u>	<u>-</u>
Amounts per budget statement	<u>\$ 8,717,843</u>	<u>\$ 9,149,670</u>	<u>\$ 753,736</u>	<u>\$ 1,278,792</u>	<u>\$ 905,315</u>	<u>\$ 868,533</u>

Other Supplemental Information

City of Riverview, Michigan

		Nonmajor Special Revenue Funds				
		Community Development Block Grant	Rubbish	Winter Recreation	Cable TV	Library
Assets						
Cash and investments		\$ 8,328	\$ 162,164	\$ 762	\$ 486,500	\$ 315,560
Receivables:						
Property taxes		-	-	-	-	20,001
Other governmental units		6,429	-	-	-	-
Due from other funds		50,644	-	-	-	-
Total assets		<u>\$ 65,401</u>	<u>\$ 162,164</u>	<u>\$ 762</u>	<u>\$ 486,500</u>	<u>\$ 335,561</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable		\$ 8,724	\$ 27,838	\$ -	\$ 3,417	\$ 14,589
Accrued and other liabilities		-	-	-	557	2,724
Deferred revenue		20,526	-	-	-	-
Total liabilities		29,250	27,838	-	3,974	17,313
Fund Balances - Unreserved - Undesignated		<u>36,151</u>	<u>134,326</u>	<u>762</u>	<u>482,526</u>	<u>318,248</u>
Total liabilities and fund balances		<u>\$ 65,401</u>	<u>\$ 162,164</u>	<u>\$ 762</u>	<u>\$ 486,500</u>	<u>\$ 335,561</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003**

Nonmajor Debt Service		Nonmajor Capital Projects Funds			
General Obligation	Building Authority	Parks and Recreation Construction	Capital Improvements and Equipment	Development Revolving	Total Nonmajor Governmental Funds
\$ 45,859	\$ 130,331	\$ 11,514	\$ 1,401,786	\$ 32,357	\$ 2,595,161
532	-	-	-	-	20,533
-	-	-	-	-	6,429
-	-	-	-	-	50,644
\$ 46,391	\$ 130,331	\$ 11,514	\$ 1,401,786	\$ 32,357	\$ 2,672,767
\$ -	\$ -	\$ -	\$ 100,312	\$ -	\$ 154,880
-	18,338	2,000	-	-	23,619
-	-	-	-	-	20,526
-	18,338	2,000	100,312	-	199,025
46,391	111,993	9,514	1,301,474	32,357	2,473,742
\$ 46,391	\$ 130,331	\$ 11,514	\$ 1,401,786	\$ 32,357	\$ 2,672,767

City of Riverview, Michigan

	Nonmajor Special Revenue Funds				
	Community Development Block Grant	Rubbish	Winter Recreation	Cable TV	Library
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 415,705
Federal sources	214,988	-	-	-	-
State sources	-	-	-	-	11,102
Interest	-	1,820	-	14,756	5,831
Other	-	688	-	203,669	29,758
Total revenue	214,988	2,508	-	218,425	462,396
Expenditures					
General government	-	-	-	94,584	-
Public works	-	321,283	-	-	-
Community and economic development	157,537	-	-	-	-
Recreation and culture	-	-	-	-	312,779
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	157,537	321,283	-	94,584	312,779
Excess of Revenue Over (Under) Expenditures	57,451	(318,775)	-	123,841	149,617
Other Financing Sources (Uses)					
Proceeds from the issuance of long-term debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Operating transfers in	-	327,850	-	-	-
Operating transfers out	(21,300)	-	-	(76,312)	(130,475)
Total other financing sources (uses)	(21,300)	327,850	-	(76,312)	(130,475)
Net Change in Fund Balances	36,151	9,075	-	47,529	19,142
Fund Balances - Beginning of year	-	125,251	762	434,997	299,106
Fund Balances - End of year	<u>\$ 36,151</u>	<u>\$ 134,326</u>	<u>\$ 762</u>	<u>\$ 482,526</u>	<u>\$ 318,248</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2003

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds			
General Obligation	Building Authority	Parks and Recreation Construction	Capital Improvements and Equipment	Development Revolving	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 415,705
-	-	-	-	-	214,988
-	-	-	-	-	11,102
-	781	3,865	19,691	7	46,751
-	-	-	149,645	-	383,760
-	781	3,865	169,336	7	1,072,306
87	465	-	-	-	95,136
-	-	-	716,700	-	1,037,983
-	-	-	-	-	157,537
-	-	-	-	-	312,779
-	60,000	-	-	-	60,000
-	111,278	-	-	-	111,278
87	171,743	-	716,700	-	1,774,713
(87)	(170,962)	3,865	(547,364)	7	(702,407)
-	1,160,000	-	-	-	1,160,000
-	(1,119,422)	-	-	-	(1,119,422)
-	130,475	-	671,041	16,000	1,145,366
-	-	(150,000)	-	-	(378,087)
-	171,053	(150,000)	671,041	16,000	807,857
(87)	91	(146,135)	123,677	16,007	105,450
46,478	111,902	155,649	1,177,797	16,350	2,368,292
<u>\$ 46,391</u>	<u>\$ 111,993</u>	<u>\$ 9,514</u>	<u>\$ 1,301,474</u>	<u>\$ 32,357</u>	<u>\$ 2,473,742</u>

City of Riverview, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2003

	Agency Funds		
	Special Tax	Inspection	Totals
Assets			
Cash and investments	\$ 2,449	\$ 95,531	\$ 97,980
Other	<u>242,342</u>	<u>-</u>	<u>242,342</u>
Total assets	<u>\$ 244,791</u>	<u>\$ 95,531</u>	<u>\$ 340,322</u>
Liabilities			
Escrow	\$ -	\$ 95,531	\$ 95,531
Due to other governmental units	<u>244,791</u>	<u>-</u>	<u>244,791</u>
Total liabilities	<u>\$ 244,791</u>	<u>\$ 95,531</u>	<u>\$ 340,322</u>